RETAIL ENERGY CODE

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01	Initial Assessment Report
02	Preliminary Change Report
03	Final Change Report

INITIAL ASSESSMENT REPORT

R0155 – CHANGE OF TENANCY: EVIDENTIARY STANDARDS AND TIMESCALES

DOCUMENT VERSION	V1.0
DATE ISSUED	19/12/2023
DOCUMENT APPROVAL STATUS	APPROVED

RESPONSIBLE COMMITTEE	CHANGE PANEL	CHANGE PATH	AUTHORITY DETERMINED
PRIORITY STATUS	MEDIUM	URGENCY	STANDARD

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	TBC

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CHANGE OVERVIEW

This Change Proposal seeks to address industry concerns with the Non-Domestic Change of Tenancy (CoT) process identified by Non-Domestic Suppliers, Third Party Intermediaries (TPIs) and Consumers and bring improvements to the CoT process.

The defined terms set out in the REC are Change of Occupier and Switch. This will be addressed as the change progresses.

	High Impact: Energy Suppliers
	Medium Impact: Third Party Intermediaries
	Low Impact: N/A

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1 BACKGROUND

Non-Domestic energy contracts commit the Consumer to a fixed duration and unlike Domestic Consumers, they are less able to change Energy Supplier mid-term. However, there are instances where a Non-Domestic premises undergoes a Change of Tenancy (CoT), and the incoming occupier who inherits the supply point and its relationship to the predecessors chosen Energy Supplier may wish to make alternative arrangements that best matches their needs. In these circumstances, the incoming occupier may choose to enter a new contract with the same Energy Supplier or take up a new contract with a new Supplier.

1.1 COT WITH CHANGE OF SUPPLIER

Where an incoming occupier chooses to proceed with a new energy Supplier and contract, the new Supplier will initiate a CoT process. However, that process is not well documented or codified.

A CoT should be able to proceed in line with the standard switching process, however, if the incumbent Supplier does not recognise there to be a CoT, they may, as they have the right, object to the transfer.

1.2 COT WITH SAME SUPPLIER

Where a CoT occurs and the incoming occupier chooses to register with the incumbent Supplier, they will need to enter into a contract with that Supplier. This may be on different, and potentially more favourable terms than those the previous occupier had entered into. In those circumstances, the incumbent Supplier will carry out checks to ensure the CoT is genuine before making any contractual changes.

1.3 COT CONCERNS RAISED

The existing CoT process has raised a number of concerns that have been identified by market participants including Non-Domestic Suppliers, Third Party Intermediaries (TPIs) and Consumers. They were also identified by Ofgem in their Non-Domestic market review.

Concerns include:

- The CoT process being exploited to exit Non-Domestic Consumers from live contracts
- The incumbent Supplier objecting to the CoT transfer with objections that are not aligned to regulatory requirements
- New Supplier acceptance of a CoT without relevant evidence/retention of evidence
- Reported unacceptable length of time taken to complete the CoT process
- Reported increase in transfers being blocked on grounds of debt
- Lack of a clear definition of a CoT – leading to inconsistencies
- Lack of clear definition describing the evidence types required to validate a CoT – leading to unreasonable requests and inconsistencies

These concerns have wide impacts on Non-Domestic Suppliers, Consumers and TPIs who operate in the energy market.

The concerns raised can lead to delays and increased costs to Non-Domestic Consumers, potentially being exposed to deemed rates for prolonged periods. TPIs may be prevented completing their activity for Consumers.

Conversely, where Consumers falsely claim to be a new occupier in order to affect a transfer or enter into more favourable terms, the Supplier may be unable to recover the full cost of energy previously purchased on the wholesale market to serve the needs of that Consumer.

1.4 FINDINGS TO DATE

Ofgem's (Non-domestic market review: Findings and Policy consultation | Ofgem) findings paper sets out a number of issues they identified by as part of the CoT process, both where the Consumer seeks to stay with the incumbent Supplier and where they seek to move to another Supplier.

These were further highlighted in "Non-domestic market review: Statutory consultation on licence changes" published 07 December 2023, together with the expectation that these issues would be addressed through the REC.

RECCo has undertaken some work to identify potential solutions, which were presented at a preliminary workshop in October 2023, the material from which is available on the RECCo website: Webinar round-up: New Change of Tenancy rules proposed for the non-domestic energy market - Retail Energy Code Company.

2 PROBLEM STATEMENT

Ensuring Consumers can easily switch, within their contract terms, between Suppliers is a key component of effective competition. It has been reported that issues relating to a Switch that is also a CoT and how the process works, is not fit for purpose.

Ensuring Non-Domestic Consumers can easily switch, within their contract terms, between suppliers is a also key component of effective competition. It has been reported that there are issues relating to a Switch that is concurrent with a Non-domestic CoT and how the process works; that it is not fit for purpose, leading to inconsistencies between individual Supplier processes and their handling of Consumers.

These include examples of unacceptable lengths of time to approve documentation that proves a new Non-Domestic occupier has moved into a premise and unreasonable requests for the type of documents needed to prove they are a new occupier, and therefore not liable for a previous occupier debt.

3 USER STORIES

REF.	USER STORIES
CONSUMER USER STORIES	
C1	As a Consumer, when I become responsible for a new premise, I want to be supplied by the Energy Supplier and/or Tariff of my choice and for this to be completed in a timely manner.
C2	As a Consumer, when I become responsible for a new premise, I do not want to be billed for the previous occupier's usage.
MARKET PARTICIPANT USER STORIES	
M1	As a TPI I want an efficient CoT process so that I can advise my client of the best Tariffs suitable to their needs.
M2	As an Energy Supplier, I want to easily identify genuine CoTs so that transfers are not unduly delayed, and my organisation can focus on genuine exceptions.
M3	As an Energy Supplier, I want to easily identify the validity of a CoT, so that the risk of misuse is reduced.
M4	As an Energy Supplier, I want to accurately invoice the correct occupant in the first instance.
M5	As REC Performance Assurance, we need a standardised and consistent process for CoT Switches, so that we can undertake performance reviews appropriately, highlighting areas of misuse and applying sanctions where appropriate.

4 IMPACTS

CONSUMERS
Microbusiness
Small and Medium Enterprise (SME)
Industrial and Commercial (I&C)
Domestic (Occupier of Non-Domestic contract)

REC SERVICE PROVIDERS
Secure Data Exchange Service
Central Switching Services
Central Data Services Provider

RECCO / REC CODE MANAGER
RECCo
REC Code Manager – Performance Assurance
REC Code Manager – Technical Services

REC PARTIES AND SERVICE USERS
Energy Suppliers
Third Party Intermediaries

REC DOCUMENTS / PRODUCTS
Schedule 1 – Interpretations
Schedule 24 - Switching Data Management
Schedule 30 – Consumer Facing Switching and Billing Issues
Performance Assurance Report Catalogue (PARC)
TPI Code of Practice

The impacts and impacted parties will be validated during the Solution Development phase of this change.

4.1 ADDITIONAL CONSIDERATIONS FOR SOLUTION DEVELOPMENT

This change seeks to improve the CoT process, whether the occupier is changing Supplier or remaining with the incumbent. This will be achieved through the introduction of a standardised process and definition of a CoT. There are two key aspects to this approach:

4.1.1 COT WITH CHANGE OF SUPPLIER

Evidence requirements - Adding definitions and evidence requirements that would mean all Parties are clear on what does/does not qualify as a CoT. These will be mandated minimum requirements.

- Each party in the process will be required to ensure they can provide evidence that is on the standard list and falls within the definitions of a CoT in order for the CoT to proceed and therefore will be accepted by the incumbent Supplier.
- Where an Objection is raised, the losing Supplier will be expected to hold evidence demonstrating that a CoT flag has been used appropriately.

Process improvements - Addressing the delays and inconsistencies in avoiding or resolving a disputed CoT flag by introducing new mandated Service Level Agreements.

4.1.2 COT WITH SAME SUPPLIER

Evidence requirements - Adding definitions and evidence requirements that would mean all Parties are clear on what does/does not qualify as a CoT. These will be mandated minimum requirements.

- Each Party in the process will be required to ensure they can provide evidence that is on the standard list and falls within the definitions of a CoT in order for the CoT to proceed and therefore will be accepted by the incumbent Supplier.
- Where an Objection is raised, the losing Supplier will be expected to demonstrate the required evidence that a CoT flag has been used incorrectly.

Process improvements - Addressing the delays and inconsistencies in processing the CoT by introducing new mandated Service Level Agreements.

5 CROSS CODE IMPACTS

The Code Manager will cross check the impacts of this change with the MHHS Programme and the Uniform Network Code through the Cross Code Steering Group.

6 CHANGE PATH AND RESPONSIBLE COMMITTEE

CHANGE PATH	AUTHORITY DETERMINED

RESPONSIBLE COMMITTEE	CHANGE PANEL

The Code Manager considers the Change Proposal satisfies the criteria for determination by the Authority:

- The changes are likely to have a material impact on existing or future Energy Consumers. This is particularly relevant to Consumer experience under the Switching Programme.

The Responsible Committee will be the Change Panel as the change is expected to introduce changes to Schedules which are under the responsibility of the REC Change Panel. However, the REC Performance Assurance Board (PAB) will need to approve any assurance strategy as part of the solution, therefore regular updates will be shared with PAB.

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7 PRIORITY STATUS AND URGENCY

PRIORITISATION MATRIX

Category	Significance / Resource impacts / Urgency	Further selection / breakdown	Score (0-3)	Weighting	Weighted Score
Impacts	Consumer Impact	Direct	2	25	50
	Retail Markets Impact	Retail Risk(s)	2	15	30
	RECCo / REC Party / REC Service Provider Impact	Operational Effectiveness and Efficiencies	1	5	5
		Legal and Regulatory Compliance	2	13	25
Resource	Complexity / Effort / Duration		1	8	8
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		2	15	15
	Contribution to/ Alignment with RECCo's Forward Work Plan		0		0
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity (High Priority activity)	0	20	0
				Overall Priority Score (rounded)	133

Priority Status	MEDIUM
Change Proposal Type	STANDARD

The priority status for this Change Proposal is medium based on a weighted prioritisation score of 133 and has been assessed as a standard change. This is broken down as below:

- Direct Consumer Impact - A score of 2 due to delays in the process that could be seen by Consumers through timely resolution.
- Retail Markets Impact – A score of 2 to reflect the impact of the introduction of a more concise process and mitigate any adverse impacts upon competition.
- REC Operational Effectiveness – A score of 1 to reflect the improvements the change aims to make for Parties.
- Legal and Regulatory Compliance – A score of 2 as this change aims to ensure that the CoT process is more clearly defined and appropriate service levels are set to promote an effective and efficient process.
- Complexity – A score of 1 to reflect the impact the evidence gathering process with have.
- Contribution to/alignment with the objectives of the REC - A score of 2 due to the moderate impact to ensuring the REC operates and evolves to support its mission statement and continuously improves operation of the REC.

This change does not need to meet a specific target date and therefore the Change Proposal type has been set to standard.

8 SUMMARY OF CHANGE PROPOSAL PLAN

Some analysis and identification of potential solutions has been conducted by RECCo already however, it has been confirmed this analysis is not a full end-to-end review so this will be built on.

A solution will be developed with the support of an industry workgroup, consisting of nominated industry representatives, including TPI representation. The first work group will be held by the end of January 2024. There will also be stakeholder engagement through relevant forums.

This change proposal plan does not extend beyond solution analysis and development as a full understanding of the solution is required prior to the planning of impact assessment activity and subsequent change process actions. At this time, it is not possible for the Code Manager to set the timetable beyond solution development as the scale of the changes required is not completely known.

	FROM	TO
SOLUTION ANALYSIS AND DEVELOPMENT	08/01/2024	26/04/2024

9 GLOSSARY

TERM	DEFINITION
Consumer	means any person supplied (or seeking a supply) of Energy at an RMP (whether or not that person also exports or is seeking to export electricity at an RMP).
Change of Occupier	means that the Consumer at a premises has changed (or is due to change).
Change of Tenancy	See above Change of Occupier.
Energy Supplier	means a person which is either or both an Electricity Supplier and/or a Gas Supplier.
Switch	means a change to the Registered Supplier for an RMP.
Change of Supplier	See above Switch.
Occupier	means the occupier of a Premises prior to identifying whether they are an Unregistered Consumer.